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**“THE GLOBAL WATER CRISIS: EVALUATING U.S. STRATEGIES TO ENHANCE
ACCESS TO SAFE WATER AND SANITATION”**

Chairman Hyde and other Members of the International Relations Committee, I appreciate the opportunity to appear before you today to discuss the global water crisis and U.S. strategies to increase access to safe water and sanitation. I will present a brief overview of the global water situation and then quickly highlight some of the efforts the Department has taken to address these issues along with a few comments on the proposed “Water for the Poor Act of 2005.”

The Global Water Situation

I can think of few challenges as important as water and sanitation for us to take on. Today, it is likely that more than 1.1 billion people lack access to safe drinking water; 2.6 billion people lack access to proper sanitation. Each year, over 3 billion people suffer from water related diseases: 2-5 million die. The CIA reports that, by 2015, nearly half of the world’s population will live in countries that are water-stressed (i.e., have less than 1,700 cubic meters per capita per year).

Why should we care? For humanitarian and health reasons: Each day, approximately 5,000 people die from preventable diarrhoeal diseases alone. This number does not include the millions of people with compromised immune systems, such as those with HIV/AIDS, or those suffering from malnutrition, where chronic exposure to unsafe water can be a key contributing factor in their death. Most of these deaths are in children under 5 years of age – that’s a child dying every fifteen seconds due to unsafe water, inadequate sanitation and poor hygiene. This human cost is unfathomable. Sanitation is equally as important – especially for women and girls. Women who don’t have access to sanitation facilities must often defecate in public or hold it in until nightfall. Many girls fail to attend school due to the lack of private sanitation facilities. These are conditions that undermine human well-being and dignity.

We should also care for development reasons: Currently, over 50% of the world’s hospital beds are filled with patients suffering from water-related diseases. The WHO estimates that by reducing by half, the proportion of people that lack access to safe water and adequate sanitation the world would save nearly \$90 billion annually. India alone loses 73 million

working days per year due to the lack of clean water and inadequate sanitation. In agrarian-based developing countries the economic dependency on water is even greater - when it rains, economies can grow; when it doesn't, those countries that lack the capacity to store and save water experience economic decline and food insecurity, even famine. We have seen cases where water mismanagement and water pollution can reduce GDP by more than 2% - that's enough to keep a country in poverty, or if remedied, set it on a path towards economic growth. Hurricane Mitch reminded us all of the tremendous economic damage that floods can bring to a region. Water is also a good investment. Depending on the region, investing a dollar in water supply and sanitation can yield as much as \$34 in return.

Water is also important for stability reasons. More than 260 watersheds are shared by two or more countries. Over 40% of the world's population live in a shared basin. As water becomes scarce, tensions over shared resources are likely to rise – both within countries and among countries. Promoting joint management and using water to build trust and cooperation in conflict-prone regions are important tools in reducing the risks of future conflicts.

Finally, water can be an important tool in building democracies. Water is a motivator. Everyone everywhere wants reliable access to safe water. People want to be invested in decisions that affect their well-being. They welcome participatory decision making, transparency and accountability associated with water use at the local, national and regional levels. I recently heard an interesting story from a friend at Water Partners International – a U.S.-based NGO working internationally on water. He recounted a statement from one participant in a water project in Honduras that electing a representative to his community water committee was the first time in his life that he had voted. That's democracy, that's how to build a culture of democracy.

In sum, the lack of access to safe water and sanitation, along with poor water management undermines human health and dignity, reduces economic productivity, and contributes to instability.

Our Approach

So what are we doing? OES works closely with USAID to build strong connections between our diplomatic and development efforts – an approach which has tremendous support within the Department and is yielding significant results internationally. On water, three shared priorities have emerged: water and health; integrated water resources management; and financing. The majority of U.S. assistance in these areas is captured under USAID's "Water for the Poor" initiative which our USAID colleagues will discuss shortly. I will highlight some work in each area to give you an example of how we work together and a sense of what can be done to address the global water crisis.

On water and health, the Department and USAID have been working CDC/HHS and other U.S. agencies to reduce the incidence of diarrheal disease in a number of ways including: increasing access to technologies to disinfect and safely store water at the household level (commonly known as "point-of-use" water treatment); promoting hygiene education; and supporting risk-based vulnerability analyses of water supply systems (known as water safety

plans). The point-of-use approach is particularly appealing for two reasons: First, it can save lives now. Second, it's market-based. In other words, many of these technologies can be locally manufactured and distributed at a profit for local entrepreneurs. Over time, our hope is that subsidies for these products can be reduced and, with the proper social marketing, the number of users will grow on their own. The international community has been hesitant to accept this approach. Over the years, the Department and USAID's efforts through the G8 and other international fora have generated broader interest. At the thirteenth session of the UN Commission on Sustainable Development last April, for example, the United States joined in launching the "Health through Water" partnership which brought together a number of donors including the UK, Australia, the WHO and UNICEF to mobilize resources and stimulate greater action around point-of-use and water safety plan approaches.

On integrated water resources management, the Department has worked with USAID and an international NGO called the Global Water Partnership to build a multi-donor program aimed at strengthening the capacity of countries to manage water. Currently, more than five donor governments invest resources through this program in over fifteen countries around the world. One of these partners, the Netherlands, brings more than money to the partnership – they bring Royalty. The Crown Prince of Orange serves as a patron of the Global Water Partnership and works with us to raise the profile of these issues. Within the UN, we established the Shared Waters Initiative to strengthen cooperative management of shared water resources. Through this initiative, we are working to support regional dialogue in a number of key basins throughout the world – including the Nile – with donor partners such as the GEF, World Bank, Sweden and the Netherlands.

Meeting the long-term water supply, sanitation and waste water treatment needs in developing countries will require money. Estimates vary, but it is clear that tens, perhaps hundreds of billions of dollars will be needed annually. Much of this will have to come from within the countries themselves. USAID pioneered an approach using partial loan guarantees that reduces investment risks to stimulate local currency investment in water-related infrastructure. With the backing of the U.S. Treasury, these guarantees leverage ten to twenty dollars for every dollar invested. Combined with financing mechanisms like those we have used in the United States – such as pooled funds and revolving funds – these approaches can provide sustainable financial support for both large scale projects and local entrepreneurs. In the Indian State of Tamil Nadu, for example, a U.S. investment of approximately \$400,000 will mobilize nearly \$6.4 million to provide water and sanitation services to an estimated 600,000 people.

Together, the Department, USAID and EPA have worked through a number of international fora to increase the adoption of this approach among bilateral donors, international financial institutions and multilateral organizations. We have also sought out partners that can complement this approach to leverage additional resources. For example, the Department and USAID's Office of Development Credit are now working with Japan in three countries to combine our loan guarantee mechanism with concessional lending from the Japan Bank for International Cooperation to support local infrastructure development.

A Way Forward

We've learned a number of lessons over the past few years. First, saving lives requires that we address water, sanitation and hygiene together. The health benefits will appear when we approach these needs in an integrated holistic manner. Second, our efforts must be demand-driven. Stakeholders must be involved. Third, we must seek sustainable approaches. This requires that countries have the capacity to maintain and manage infrastructure. When we help drill a well, we must ensure that it is done within the broader context of water use and reuse, considering agricultural needs, waste disposal, and longer-term groundwater quality. Fourth, we must consider the cultural context of specific water interventions and technologies. What works in Boise, might not work in Bangladesh. Finally, the resources needed will far exceed the abilities of any one donor- or all the donors – to provide. So, we must look to mobilize local capital, mitigate investment risks and support local entrepreneurship. And we must work in partnership – building coalitions with other countries, multilateral institutions, the private sector, faith-based group, and NGOs. In other words, diplomacy and development must go hand-in-hand.

The good news is that the State Department and USAID have already been successfully working in this manner on water.

Water for the Poor Act of 2005

While the Administration has not taken a formal position on the “Water for the Poor Act of 2005,” we are pleased to convey that the basic thrust of this legislation is strongly compatible with the Department’s views regarding the critical importance of these issues and the role that partnerships with governments, the private sector, NGOs and others can play. Success requires strong linkages between our diplomatic and development efforts; coordination among the agencies; partnerships with multilateral institutions and regional organizations - such as UN organizations, the World Bank, and the African Ministerial Council on Water; and engagement with the NGO, private sector and foundation communities. The Department, in close cooperation with USAID, is actively engaged in such an effort.

I thank you for this opportunity to testify before this committee on behalf of the Department of State. I would be pleased to answer any questions you may have.